**Transcript of Remarks by Senator Kent Conrad (D-ND)**
**at Press Conference with Democratic Senators Criticizing Republican Push for Massive Tax Cuts While Simultaneously Seeking Record Increase in Federal Debt Limit**
**May 13, 2003**

We're bringing back the debt clock. You know, the debt just keeps ticking up at a rapid pace, and the great irony now is that Republicans are seeking the biggest increase in the debt in our nation's history and at the same time pushing for a massive tax cut. None of this adds up, and perhaps it's time to attempt to be very clear with the American people what the consequences are of this fiscal policy.

You will recall in the State of the Union the President told us, "This country has many challenges. We will not deny, we will not ignore, we will not pass along our problems to other Congresses, to other presidents and other generations."

But that is precisely what he's doing. He is now asking for, and Republicans have in their budget the biggest increase in our national debt in our history. The amount that is included in the budget is an increase of $984 billion in the national debt. The largest previous increase was in Bush 1 presidency, an increase of $915 billion.

Let's go to the next slide that shows what is happening to the gross federal debt. You will recall the President told us two years ago that the debt would be virtually eliminated by 2008 if we adopted his fiscal plan. Instead, what we see is the debt is soaring. The debt, which will by the end of this year be over $6.7 trillion, will be over $12 trillion by the end of this budget period if we adopt the President's plan.

Let's go to the next slide. We're labeling this now the 'Republican Debt-O-Meter' because they are increasing the debt geometrically. You will recall when the President took office, his projection for 2008 was we would have all but a very small part of the debt eliminated. We'd be down to $36 billion of debt. In his '02 budget, that was up to $1.2 trillion. Then the Bush tax cut passed in August of '01, and we were up to $1.6 trillion of debt. Then in '02, the President's budget for this year put the debt up to $3.3 trillion. And now the budget that is before us for 2004, the budget that the Republicans have passed, takes the publicly held debt – publicly held debt – up to $5.2 trillion.

And there are enormous consequences of this rapid growth of debt. The interest costs to the federal government is going up dramatically, as well. You will recall in January of 2000, the President said the interest cost of the debt would be just over $600 billion. Now, over that same period, the interest cost will be $2.3 trillion, an increase in interest cost of $1.7 trillion.

Finally, let me put up a final slide that talks about how ill-timed all of this is. Ill-timed because, as you can see, this chart shows what's happening to the trust funds of Medicare and Social Security -- Medicare, the blue part of the bars; the green, Social Security; the red are the tax cuts. And at the very time – at the very time – the cost to the federal government increases as a result of the retirement of the baby boomers and the trust funds going cash negative, the cost of the President's tax cuts explode, leading us deeper and deeper into deficit and debt.

The other day the President said, This is the people's money and we ought to send it back to them. The President's got that exactly right. It is the people's money. It's also the people's debt. It's also the people's Social Security. It's also the people's Medicare. All of them are being threatened by this policy of ever-escalating deficits and debt. All of this is ultimately going to have to be borne. This burden is going to have to be borne, and the American people are the ones whose name is on the bill.

We'll be happy to take questions. Meanwhile, the debt clock is ticking.

*Question:* Senator Frist has announced his intention by the end of the week to bring up the House-generated bill that would increase the debt limit by nearly $1 trillion. Have Democrats decided whether you will offer an amendment to reduce that increase from $984 billion to something less, and if so, by how much will you attempt to increase it on the floor when that bill comes forward?

*Conrad Answer:*

We've made no determination. We're going to have a caucus momentarily, and that will be one of the key areas of discussion.

*Question:* What would you like to see done?

*Conrad Answer:*

Well, the last debt increase was $450 billion. I personally think that would be a reasonable amount. I don't think we should just increase the debt by these dramatic amounts, $984 billion, nearly $1 trillion, because I think the American people ought to have a right to see what's happening and to connect the dots.

And this policy of increasing spending and increasing the tax cuts, when you've already got record deficits, can only lead to one result, and that is more and more increases in the national debt, and at the worst possible time – at the worst possible time – because the baby boomers start to retire in 2008. This is a policy that is utterable unsustainable, that threatens the economic security of the country and that will weaken economic growth. That's why this matters so much.

They say they've got an economic growth package. Most economists say it's not an economic growth package. It will hurt long-term economic growth. Yes, it will give a slight bump, less than one-half of 1 percent of GDP in terms of an increase in growth in the first years, about half as much as what a well designed stimulus package would provide. But then it mushrooms deficits and debt in a way that undermines the long-term economic growth. That's what Chairman Greenspan was warning about. That's what the Nobel laureates in economics are warning about. That's what the Council on Economic Development – 250 of the country's most prominent CEOs – are warning about. This is not a package that's going to help long-term economic growth; it's going to threaten it, because of the dead weight of deficits and debt.

*Question:* But isn't it hard to sort of raise public concern about deficits when you have the Federal Reserve right now not worried about inflation or other consequences of this, but deflation?

*Conrad Answer:*

The Federal Reserve is worried not just about deflation. The Federal Reserve is worried about a whole series of things in this economy. They're worried about a very weak economy. That's why we support a more robust stimulus package now by far than the President has proposed. We're saying, Yes, give more lift to the economy in the short-term, but be more fiscally responsible in the long-term. Because as the chairman of the Federal Reserve has said these long-term tax cuts – remember, most of the President's plan, the cost is in future years, many years down the road when he's forecasting strong economic growth, and yet the cost to the federal government will explode because of the retirement of the baby boom generation, at the very time the cost of the President's tax cuts explode, and that's why the Chairman of the Federal Reserve said that will hurt long-term economic growth, not help it.

*Question:* The White House is still pushing – and I know that Senator Nickles offered an amendment to the plan, which is phase in the dividend proposal by a third, and a third, and a third and then phase it out, after a couple of years – what do you think of the proposal and what do you think the short-term and long-term (benefits are)?

*Conrad Answer:*

Well, first of all, I think it's utterly farcical because to sunset it, we'd be right back in the game they're playing on the previous tax cut when they sunset a number of its provisions. And then if you don't extend them, they say it's a tax increase. So we'd be right back playing that game.

What's the short-term and long-term? Not much short-term effect. Long-term effect is negative. Long-term effect is negative because it would mushroom deficits and debt, reduce the pool of societal savings, reduce the pool of money available for investments. If you don't have money available for investments, you can't grow. This is not just my view. It's the view of hundreds of economists across the country and others that I mentioned.

*Question:* You got a few key votes at the end of this week on debt limit and tax cuts. You also have some key events out in Iowa: You have four senators, Democratic senators, running for president. Are you concerned that the fact that many of them already been missing a lot of key votes, that could complicate your efforts?

*Conrad Answer:*

No, they have not been missing key votes. They've been here for key votes. That's the story. They have been here for key votes. Every time we have said they need to be here, they've been here. But, boy, I'll tell you, that really is sideshow stuff. Let's talk about what really matters to the country here. What really matters to the country is what kind of fiscal policy we put in place.

And the fiscal policy that we're putting in place, if the President's plan is pursued, is one that will double the national debt at the worst possible time. That's something we ought to care about and pay a lot of attention to.

*Question:* What kind of amendments do you think the Democrats are going to offer to the tax bill that have any chance of passing? Will you do anything on that tax bill?

*Conrad Answer:*

Well, we'll have a series of amendments, and we hope they will pass, those that are the significant amendments. But, you know, we're not, I'm not here to predict vote outcomes. We're going to offer serious amendments to try to make this package more responsible, as we did in the Finance Committee.

*Question:* Senator, how do you see this playing out as the Senate goes forward they juggle both of these issues, the tax cut and the debt limit? Is there, what kind of, how do you see this playing out, as a kind of interaction, are they related?

*Conrad Answer:*

Well, they're directly related, directly related because this is a foreshadowing of what's to come. We're going to be doing a lot of votes on increasing the debt if the President and the Republicans get their way on their fiscal policy, on their tax cuts because it's going to directly lead to more and more debt. And, again, at the worst possible time.

*Question:* Do you buy the argument that by having a dividend tax cut it'll encourage companies to not game the system, as people have said, to actually have an incentive to report dividends?

*Conrad Answer:*

I would just say one other point on this. The Federal Reserve chairman has talked about this himself. He said the dividend policy would make sense if it was paid for. What's wrong with the President's proposal is it's not paid for, it's all funded by borrowed money. That's what's wrong. That's not going to contribute to capital formation.

My own belief is dividend tax reform would make sense in the context of overall tax reform if it's revenue neutral. That's what economists are telling us. That's what the head of the Federal Reserve is telling us. That's what ought to be done.

With respect to the short-term economic weakness, it clearly starts with consumers. Consumer spending has increased over the last two quarters 1.4 percent and 1.7 percent. That's anemic. That's right at the heart of what's wrong with the economy. Businesses are not going to expand and invest unless there is demand for their products. Business leader after business leader has told us what's at the heart of the weakness of this economy is consumers are reluctant to spend. And they're reluctant to spend because of a whole series of factors. Part of it uncertainty, uncertainty as a result of terrorist attacks, uncertainty as a result of the war, uncertainty as a result of an economic policy out of Washington that doesn't add up.

*Question:* Would the Democrats support an amendment that strips the offsets, offsets would get this down to $350 billion?

*Conrad Answer:*

I can't say. Some might. But again, that's a relatively small part of this. As you know, the overall package is about $440 billion. There's offsets of some $90 billion in order to bring it down to the net amount of $350 billion that some Republicans are insisting on.

*Question:* But if you strip the offsets, they're no longer protected by reconciliation?

*Conrad Answer:*

Well, I mean if you're asking would that be a tactic on our part to them take us back to a circumstance in which reconciliation would not apply? That's not our plan. Look, we're in this debate straight up. This debate is a question of the fiscal future: What's going to contribute to economic security? What threatens it?

And here it is, the debt clock is ticking. And by the end of this decade, the debt of the United States isn't going to be $6 trillion. If the President's plan is adopted, at the end of this decade the debt is going to be $12 trillion. Again, at the worst possible time. And most observers, objective observers, say that's not a plan of growth, of long-term growth. That is a plan that will hinder long-term growth and weaken our economy.

*Question:* Senator, if you offer an amendment to reduce the size of the debt limit increase that Senator Frist plans to bring up, but you do not prevail in your effort to reduce it, will you guys filibuster the underlying bill that will increase it by $984 billion or will you let that go by?

*Conrad Answer:*

Look, we're about to have a discussion. But we all understand the debt limit of the United States has to be moved, has to be moved because the debts have been incurred.  Our message here today is, this is going to continue with increasing frequency, and with increasing harmful results to our country if the President's plan is adopted, to dramatically explode deficits and debt.

Thank you.